

METHOD AND APPARATUS FOR TAX  
EFFICIENT INVESTMENT MANAGEMENT

ABSTRACT OF THE DISCLOSURE

5           A method and apparatus for automatically managing  
investment portfolios is disclosed which substantially  
tracks a selected index and automatically harvests tax  
losses. The system includes an accounting system for  
maintaining tax lot information for individual  
10 accounts, an optimization system for rebalancing each  
account to substantially model the index and for  
harvesting tax losses, and a trading system for  
executing trades. Each investor owns the securities  
in his/her account, and therefore, harvested losses  
15 can be used to offset capital gains. Securities sold  
to harvest tax losses are repurchased at a later time  
selected to avoid application of the Internal Revenue  
Service wash sale rules, with exchange traded funds  
(ETF's) from the same technological sector as the  
20 securities being sold to harvest tax losses being used  
as temporary replacement securities for the  
portfolios.